

**SOUTH CAROLINA GOVERNOR'S OFFICE –
EXECUTIVE CONTROL OF STATE**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

February 10, 2020

Mr. Steven W. Lake, Director of Administrative Services/SCEIS
South Carolina Department of Administration
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Governor's Office – Executive Control of State (the Agency) on the systems, processes and behaviors related to financial activity of the Agency for the fiscal year ended June 30, 2019. The Agency's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Agency. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Agency has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the management of the South Carolina Governor's Office – Executive Control of State and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor

Agreed - Upon Procedures Related to the South Carolina Governor's Office – Executive Control of State (D05)

Cash Receipts/Revenues

1. Compare current year revenues at the fund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$15,000 in General Funds and \$5,000 in Earmarked Funds and 10%.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

2. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over \$30,000 in General Funds and \$40,000 in Earmarked Funds and 10%.
3. Haphazardly select ten non-payroll disbursements and inspect supporting documentation to determine:
 - The transaction is properly completed as required by Agency procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Agency procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Agency.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

We found no exceptions as a result of the procedures.

Payroll

4. Compare current year payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations over 10%.
5. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
6. Haphazardly select five employees and inspect supporting documentation during the fiscal year to:
 - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Agency.

For Salaried Employees:

- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

Payroll (Continued)

For Hourly Employees:

- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.
7. Haphazardly select three employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Agency's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
 8. Haphazardly select three employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Agency's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

9. Haphazardly select five journal entries and transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Reporting Packages

10. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
11. In addition to the procedure above, perform the following:
 - Operating Leases Reporting Package

Determine if amounts agree to the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Rptg Operating Lease Expense with Vendor report and/or Agency prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting the following reported amounts: (1) Four selected contingent rental payments; (2) One haphazardly selected payment for one vendor included in each of the remaining rental payment classifications. In addition, confirm that the Agency submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.
 - Litigation Reporting Package

Haphazardly select four transactions from SCEIS Yearend Rptg – Litigation Expense report to determine if the Agency obtained approval from the Attorney General's Office to hire attorneys, to ensure amounts charged were within approved limits and service date range, and to ensure proper coding of legal and attorney payments.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Agency prepared records.

Finding

During our review of the litigation reporting package we observed the Agency coded two payments totaling \$30,000 for consulting services to GL Account 502102000 (Attorney Fees) instead of GL Account 502154000 (Non-IT & Non-Real Estate Other Professional Services). All other payments made to the consulting firm were coded to GL Account 502154000; therefore the Agency should have been consistent in the coding of these payments.

Management's Response

The Department of Administration (the Department) processes payments on behalf of the Governor's Office. The Department's Finance management has reviewed the finding with the Year End Reporting and Accounts Payable staff. Going forward Finance will add to their month-end checklist to run the CAFR Litigation Report for all supported agencies to ensure proper postings to the Attorney Fees GL Account and propose corrective entries as appropriate.

Assets and Personal Property

12. Confirm that an inventory of Agency property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

We found no exceptions as a result of the procedures.

Appropriation Act / Agency-Specific Provisos

13. Confirm compliance with the selected agreed-upon Agency-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedures.